



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
DAVIESS COUNTY  
SHERIFF'S SETTLEMENT - 1998 TAXES**

**September 15, 1999**

**EDWARD B. HATCHETT, JR.  
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## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 1998 TAXES.....	3
NOTES TO FINANCIAL STATEMENT .....	4
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	9





## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

### Independent Auditor's Report

We have audited the Daviess County Sheriff's Settlement - 1998 Taxes as of September 15, 1999. This tax settlement is the responsibility of the Daviess County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Daviess County Sheriff's taxes charged, credited, and paid as of September 15, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated November 23, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 23, 1999

DAVIESS COUNTY  
KEITH CAIN, SHERIFF  
SHERIFF'S SETTLEMENT - 1998 TAXES

September 15, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Transferred from Former Sheriff	\$ 489,683	\$ 270,123	\$ 1,209,725	\$ 636,882
Franchise Corporation Taxes	271,621	133,996	530,653	
Distilled Spirits Taxes	43,298	20,360	123,709	
Additional Billings	19	11	69	22
Increased Through Erroneous Assessments	36	20	131	43
Street Lights		5,107		
Penalties	19,911	11,348	47,509	25,211
Gross Chargeable to Sheriff	<u>\$ 824,568</u>	<u>\$ 440,965</u>	<u>\$ 1,911,796</u>	<u>\$ 662,158</u>
<u>Credits</u>				
Discounts	\$ 929	\$ 437	\$ 2,621	\$ 0
Exonerations	1,288	723	4,555	1,510
Delinquents:				
Real Estate	23,132	12,979	50,905	27,017
Tangible Personal Property	1,354	637	1,637	3,232
Intangible Personal Property				2,302
Uncollected Franchise	683	306	1,684	
Total Credits	<u>\$ 27,386</u>	<u>\$ 15,082</u>	<u>\$ 61,402</u>	<u>\$ 34,061</u>
Net Tax Yield	\$ 797,182	\$ 425,883	\$ 1,850,394	\$ 628,097
Less: Commissions *	<u>33,880</u>	<u>18,100</u>	<u>27,756</u>	<u>26,694</u>
Net Taxes Due	\$ 763,302	\$ 407,783	\$ 1,822,638	\$ 601,403
Taxes Paid	752,828	401,888	1,794,407	559,772
Refunds (Current and Prior Year)	<u>10,474</u>	<u>5,895</u>	<u>28,231</u>	<u>41,631</u>
Due Districts as of		**		
Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

4.25% on \$ 1,851,167  
1.5% on \$ 1,850,394

The accompanying notes are an integral part of the financial statement.

DAVIESS COUNTY  
NOTES TO FINANCIAL STATEMENT

September 15, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of September 15, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.



DAVIESS COUNTY  
NOTES TO FINANCIAL STATEMENT  
September 15, 1999  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1998. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 1, 1999 through May 4, 1998.

Note 4. Interest Income

The Daviess County Sheriff earned \$11,972 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Daviess County Sheriff's Settlement - 1998 Taxes as of September 15, 1999, and have issued our report thereon dated November 23, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Daviess County Sheriff's Settlement - 1998 Taxes as of September 15, 1999 is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Daviess County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Reid Haire, Daviess County Judge/Executive  
Honorable Keith Cain, Daviess County Sheriff  
Members of the Daviess County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information of management and is not intended and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
November 23, 1999

